

Market Update for Commercial Real Estate in Eastern Pennsylvania and New Jersey

A comprehensive analysis of the Eastern Pennsylvania and New Jersey commercial real estate markets by **Loren Keim**, Professor of Real Estate at Lehigh University and President of CENTURY 21 Keim Realtors. While national markets show some softness, the Eastern Pennsylvania region—particularly the Lehigh Valley, Philadelphia Metro, and parts of the Poconos—demonstrates remarkable resilience and growth opportunities across multiple commercial property sectors.

 **by Loren Keim**

Regional Market Performance

Philadelphia-Camden-Wilmington MSA

The greater Philadelphia metropolitan area has shown exceptional strength in the commercial real estate sector, defying national trends toward market softness. According to the latest quarterly report from the Altus Group, industrial pricing has surged an impressive **24% year-over-year**, reflecting strong demand for logistics and manufacturing space in this strategically located corridor.

Office space, contrary to what many analysts predicted following pandemic-related shifts in work patterns, has increased in value by **10%**. This growth is primarily driven by suburban office parks and medical office buildings, which continue to attract significant investor interest due to their stable tenant profiles and long-term lease structures.

Both retail and multifamily sectors have demonstrated moderate but consistent growth of **4%**, indicating that well-positioned assets in prime locations remain highly desirable despite broader

Lehigh Valley

The Lehigh Valley continues to emerge as one of the Northeast's most dynamic commercial real estate markets. Investors are particularly focused on flex and last-mile industrial space near major transportation arteries like I-78 and I-476, capitalizing on the region's strategic location between New York City and Philadelphia.

Small-format retail and mixed-use properties in the walkable urban cores of Bethlehem, Easton, and Allentown are experiencing strong demand. These properties benefit from ongoing urban revitalization efforts and growing preferences for experiential retail environments that blend shopping, dining, and entertainment options.

The multifamily sector in suburban townships surrounding the Valley's core cities continues to attract significant investment capital. This trend is driven by strong rental demand from both downsizing baby boomers seeking maintenance-free living and millennials who find

The Poconos Region

Once primarily known as a leisure destination, the Poconos region has transformed into a noteworthy commercial real estate micro-market. Hospitality acquisitions, particularly boutique inns and short-term rental portfolios, have seen increased transaction activity as investors recognize the area's growing appeal as a year-round destination.

Retail strip centers anchored by essential service providers and local businesses have proven especially resilient. Properties housing medical services, food establishments, and fitness centers continue to perform well, reflecting the region's growing permanent population base.

Perhaps most interesting is the rising investor interest in adaptive reuse projects. Older commercial properties near lakes and resorts are being transformed into mixed-use developments that cater to both tourists and the growing number of remote workers who have made the Poconos their permanent home

Sector-Specific Opportunities

Despite the general market pullback observed nationally, Eastern Pennsylvania and New Jersey present numerous sector-specific opportunities for informed investors. Understanding these nuanced trends is essential for those looking to capitalize on the region's unique commercial real estate landscape.

Multifamily Momentum

The multifamily sector has demonstrated remarkable resilience with a **3.2% increase in transaction volume**, reaching a substantial \$18.4 billion. This growth is particularly notable in suburban locations offering amenity-rich environments with proximity to employment centers.

Value-add opportunities in Class B properties remain especially attractive, as modest renovations can yield significant rent premiums in this supply-constrained market. Investors are increasingly focusing on properties that can be repositioned to meet evolving tenant preferences for flexible spaces, outdoor amenities, and technology integration.

Office Renaissance

Contrary to national narratives of office obsolescence, the sector gained **2.8% year-over-year** in Eastern Pennsylvania. This surprising strength is concentrated in medical office buildings, suburban office parks with abundant amenities, and boutique office spaces in walkable downtown areas.

Properties offering flexible configurations, enhanced air filtration systems, and collaborative spaces are commanding premium rents. The flight to quality continues as tenants prioritize buildings that support both productivity and employee well-being, creating opportunities for strategic repositioning of existing assets.

Retail & Hospitality Resilience

Both retail and hospitality assets have shown remarkable pricing strength, particularly in locations catering to experiential consumers. Neighborhood shopping centers anchored by necessity-based retailers and service providers continue to perform exceptionally well.

In the hospitality sector, boutique hotels and extended-stay properties are outperforming traditional offerings. Properties that can capture both leisure and business travelers, particularly those in locations offering recreational amenities, present compelling investment opportunities in today's market.

Across all sectors, pricing per square foot has increased for quality assets, reflecting continued investor demand for well-located, income-generating properties. This pricing trend suggests that while transaction volume may have temporarily decreased, investor conviction in the long-term fundamentals of Eastern Pennsylvania and New Jersey remains strong.

Strategic Insights for Forward-Thinking Investors

While casual observers might interpret the Q1 numbers as a sign to retreat, experienced commercial real estate professionals recognize that market volatility often creates the most favorable buying conditions. As the Eastern Pennsylvania and New Jersey markets demonstrate varied performance across sectors and submarkets, now is the time for investors to leverage deep market knowledge and strategic foresight.

Why This Market Rewards the Prepared

The current commercial real estate landscape in Eastern Pennsylvania and New Jersey presents a classic asymmetric opportunity. With some investors sidelined by macroeconomic concerns and rising interest rates, competition for quality assets has decreased temporarily. This creates favorable conditions for well-capitalized buyers who understand the region's strong fundamentals.

Savvy operators are already quietly making strategic acquisitions, focusing on properties with stable cash flows, below-replacement-cost pricing, and value-add potential. These investors recognize that while the market may experience short-term fluctuations, the region's strong demographic trends, diversified economy, and strategic location between major metropolitan areas provide a solid foundation for long-term appreciation.

Rather than waiting for obvious market signals that would attract broader competition, forward-thinking investors are conducting thorough due diligence now, building relationships with local brokers, and positioning themselves to move quickly when opportunities arise. This preparation-focused approach typically yields superior risk-adjusted returns



If you're waiting for the market to scream "GO!"—you might miss the best deals.

Understanding pricing trends, location-based performance differences, and asset repositioning strategies provides a significant competitive advantage in today's market. Investors who can identify properties with intrinsic value that has become temporarily disconnected from market sentiment stand to benefit substantially as market conditions normalize.